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SUBJECT: ARGENTINA: ENERGY SECRETARY ON WIREC, GOA ENERGY
CONSERVATION AND NATURAL GAS PRODUCTION INCENTIVES

REF: (A) Buenos Aires 356
(B) Buenos Aries 131
(C) Buenos Aires 19

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Summary

¶1. (SBU) Argentina will consider making a renewable energy pledge following its participation in the Washington WIREC conference, according to GoA delegation head Energy Secretary Cameron. He noted to Ambassador Argentina's recently implemented energy conservation measures and the GoA's passage of a biofuels law in 2007 that provided tax incentives for biodiesel and ethanol production and mandates that biofuels contribute 5% of the domestic fuel mix by ¶2010. Cameron also highlighted the GoA's recently announced "Gas Plus" initiative (designed to incent new natural gas exploration by authorizing higher prices for natural gas obtained via new or hard-to-reach gas reserves) but emphasized that a determination of "appropriate" gas pricing to promote exploration and development will remain contentious. Argentina remains committed to participating in the construction of LNG regassification plants in Uruguay and in Argentina (jointly with Venezuela's PDVSA) and plans to temporarily position a leased LNG regassification ship in a Buenos Aires province port to ensure adequate natural gas supplies for domestic industry and home heating during the upcoming (austral) winter season peak demand period. Argentine exports of natural gas to Chile will "normalize" in the coming months, Cameron said, but alleviating constraints on U.S. energy company Apache Energy's production of gas in Tierra del Fuego province will have to wait on the construction of a second gas pipeline from Tierra del Fuego to the mainland, expected in 2-3 years. End Summary.

WIREC: Seeking an Argentine Pledge

¶2. (SBU) On March 28, Ambassador met with GoA Planning Ministry Energy Secretary Daniel Cameron to review the Secretary's participation as the head of the GoA Del to the Washington WIREC renewal energy conference, to encourage the GoA to make a WIREC International Action Program pledge by the April 4 deadline, to discuss current GoA energy sector initiatives, and to highlight U.S.

upstream player concerns about declining profitability and regulatory constraints. (Ambassador had previously met with Cameron in August 2007 to present him a letter from U.S. Secretary of Energy Bodman inviting him to a Vienna meeting of the Global Nuclear Energy Partnership -- GNEP -- and inviting Argentina to become a GNEP partner.)

¶13. (U) While WIREC conference reports noted no/no substantive GoA interventions, Cameron praised conference organization, President Bush's remarks calling for free trade in renewable energy technology, and the EU's presentation on their 20/20 renewable energy initiative. He noted the GoA's recently implemented energy conservation measures (Ref C) and the earlier passage of a biofuels law in 2007 that provided tax incentives for biodiesel and ethanol production and mandates that biofuels contribute 5% of the domestic fuel mix by 2010. The GoA remains concerned, he said, about the broad impact of global biofuels development on basic food prices.

¶14. (SBU) Ambassador noted that more than 100 voluntary WIREC pledges have been received to date, a clear demonstration of how far and fast renewable energy has come into the energy mainstream since the Bonn 2004 renewable energy meeting. He encouraged Cameron to consider making an Argentine pledge as part of the Washington International Action Program by the April 4 deadline. Cameron was unaware of Brazil's pledge to maintain a 45% renewably generated share of its total energy supply and an 80% renewable energy share in electricity generation. He asked if Embassy could provide him details on WIREC pledges made to date. Cameron noted the short deadline, but offered to consider an Argentine pledge. (EconCouns subsequently provided Cameron a list of all country pledges.)

GoA Energy Initiatives and Winter Plans

5. (SBU) Ambassador questioned implementation of the GoA's recently announced "Gas Plus" initiative (designed to encourage new natural gas exploration by authorizing higher prices for natural gas obtained through new or untapped, hard-to-reach gas reserves - Ref A) and noted that our U.S. industry contacts call its more market-oriented pricing approach a step in the right direction. Cameron agreed that the Gas Plus program would encourage some incremental domestic production, but emphasized that "appropriate" pricing to encourage new natural gas exploration and development will remain a contentious issue for some time. Unlike oil, he said, 75% of global natural gas production is consumed locally and a global commodity market for any gas other than LNG (7% of the global natural gas market) has yet to be developed. Argentina remains committed to participating in the construction of an LNG regassification plant in Uruguay and a second regassification plant in Argentina jointly with Venezuela's PDVSA. In addition, Argentina's national hydrocarbon company, ENARSA, has contracted with Repsol/YPF (Argentina's largest integrated energy producer) to temporarily position an LNG regassification ship in the Buenos Aires province port of Bahia Blanca to help ensure adequate natural gas supplies will be available to meet the needs of domestic industry and consumer home heating during the upcoming (austral) winter season peak demand period. Finally, he noted that Argentina remains committed to build a second Argentina/Bolivia gas pipeline and linked cyclic hydrocarbon extraction plant (Ref B).

Apache in Tierra Del Fuego

¶16. (SBU) Ambassador noted U.S. firm Apache Energy's investment of over \$125 million in Tierra del Fuego province since acquiring properties there from Pan American Energy in 2006/7. (Apache has drilled eight gas wells and made two new gas field discoveries, helping it achieve over 20 million cubic feet per day of new gas production.) However, the GoA's decision to cut gas exports to Chile from Tierra del Fuego has "stranded" large volumes of natural gas there pending a planned expansion of the gas pipeline that connects Tierra del Fuego with the Argentine mainland. Over-injection into the existing Tierra del Fuego gas pipeline by Petrobras and Total has forced Apache to re-inject 60 million cubic feet of natural gas per day into the ground, a loss to the company

and to GoA export revenues. Cameron said he was aware of the situation and had met a number of times with Apache management. Argentine exports of natural gas to Chile will "normalize" in the coming months, he said, but a full resolution of Apache's problem will have to wait on the construction of a second gas pipeline from Tierra del Fuego to the mainland, expected in 2-3 years.

Bio Note

¶7. (U) Daniel Omar Cameron was appointed Planning Ministry Secretary of Energy by President Nestor Kirchner in May 2003. He is considered close to both Nestor and current president Cristina Fernandez de Kirchner. Cameron's entire professional career has focused on the energy sector and, prior to his current position, he served as member of the Administrative Committee of the Federal Power Transportation Trust Fund and member of the Committee of the Electric Power Federal Council, representing the province of Santa Cruz. He was also member of the (then GoA-owned) integrated hydrocarbon producer YPF's Board of Directors, where he represented hydrocarbon producing provinces. Cameron was the Executive Secretary of the Organization of Hydrocarbon Producing States

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(OFEPEHI), and represented OFEPEHI before the Ministry of Economy to supervise YPF's privatization. He was also Minister of Economy and Public Works of the province of Santa Cruz. Cameron graduated as an industrial engineer in the National University of Bahia Blanca, in the province of Buenos Aires, and holds a post-graduate energy degree from the Instituto Tecnologico de Buenos Aires. Cameron is 51 years old, married, with three grown children.

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